

# **City of Sulphur Springs, Arkansas**

## **Agreed-Upon Procedures Report**

**December 31, 2001 and 2000**

LEGISLATIVE JOINT AUDITING COMMITTEE

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Sen. Kevin A. Smith  
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Rep. Danny W. Ferguson  
House Co-Chair  
Sen. Henry "Hank" Wilkins, IV  
Senate Co-Vice Chair  
Rep. Tommy Roebuck  
House Co-Vice Chair

# Arkansas



Charles L. Robinson, CPA, CFE  
Legislative Auditor

## LEGISLATIVE JOINT AUDITING COMMITTEE DIVISION OF LEGISLATIVE AUDIT

### Independent Accountant's Report on Applying Agreed-Upon Procedures

City of Sulphur Springs, Arkansas Officials and Council Members  
Legislative Joint Auditing Committee

We have performed the procedures enumerated below with respect to modified cash basis financial information and state law compliance which were agreed to by the management of the City and the Legislative Joint Auditing Committee for the City of Sulphur Springs, Arkansas as of and for the years ended December 31, 2001 and 2000. Management is responsible for maintaining the financial records and complying with state law. This report is prepared in accordance with Ark. Code Ann. 10-4-202 but the procedures enumerated below were not performed for the following: Water and Sewer Department. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings for the General (including Department of Public Safety, Parks, Act 988 and Library), Special Revenue (Street, Fire, LOPFI and Court Automation) and Trust and Agency (Firemen's Pension, City Court and Administration of Justice) Funds are as follows:

#### Cash and Investments

1. a. Perform a proof and reconciliation of cash for the year.
- b. Confirm the cash on deposit and investments with the depository institutions.
- c. Agree the proof of cash ending balances to the City book balances within 5% or \$500, whichever is greater.

We found no exceptions as a result of the procedures.

#### Receipts

2. a. Agree the deposits per the proof of cash for the year with the receipts per the City journal within 5% of deposits or \$500, whichever is greater.
- b. Determine that state turnback, sales taxes, fire protection funds and pension funds paid by the State of Arkansas were deposited in the proper fund.
- c. Agree one month's receipts issued with the receipts per the receipt journal within 5% of receipts issued or \$500, whichever is greater, for all funds except the Court Fund.
- d. For 2001, add all receipts issued and agree with the deposits per the proof of cash for the year for the Court Fund.

For 2000, more than 500 receipts were issued for the Court Fund, add at least 35% of receipts issued (maximum of 500) and agree with the deposits.

We found the following exceptions as a result of the above procedures:

In 2001 and 2000, fire insurance turnback funds of \$6,201 were held by the State of Arkansas because the 1999 and 1998 financial reports were not submitted for the Firemen's Pension Fund. Court Fund receipts did not agree with deposits per the proof of cash because some court receipts were deposited in the Administration of Justice Fund.

#### Disbursements

3. a. Agree the disbursements per the proof of cash for the year with the disbursements per the City journal within 5% of disbursements or \$500, whichever is greater.
- b. Analyze all capital outlay disbursements.
- c. For 10% of disbursements (maximum of 30), determine that disbursements were documented and paid in accordance with any applicable code provisions for all funds except the Court Fund. (Materiality level - 5% of the total dollars of selected disbursements or \$500, whichever is greater.)

We found no exceptions as a result of the procedures.

#### General Fixed Assets

4. a. Conduct a physical inventory of all additions over \$500 and prior years equipment items over \$5,000.
- b. Determine that additions and disposals were properly accounted for in the City records. (Materiality level - 5% of total General Fixed Assets equipment or \$500, whichever is greater.)

We found the following exceptions as a result of the above procedures:

We were unable to conduct a physical inventory of fixed assets or determine if additions and disposals were properly accounted for because the City did not maintain accurate fixed asset records.

#### General Long-Term Debt

5. Schedule long-term debt and verify changes in all balances for the year.

We found no exceptions as a result of the procedures.

#### Uniform Traffic Tickets

6. Randomly select 10 uniform traffic tickets and trace them to the court docket and receipt for payment or to an outstanding warrant, the continued cases list or dismissal of the case by the Judge.

We found no exceptions as a result of the procedures.

#### State Law Compliance

7. Evaluate the extent to which the City complied with the following state laws as of and for the years ended December 31, 2001 and 2000:
  - A. Municipal Accounting Law (14-59-101 et seq.)
  - B. City Courts Accounting Law (16-10-201 - 16-10-210)
  - C. Budgets (14-58-201 - 14-58-203)

The commentary contained in this section relates to the following officials that held office during 2001 and 2000:

Mayor: Greg Barber (Appointed July 13, 2000); Harris Steele (Resigned July 12, 2000)  
Recorder/Treasurer: Gloria Kruse (2001); Rhonda Mize (2000)  
City Court Clerk: Jane Smith (Employed March 27, 2001); Rhonda Mize (Resigned March 9, 2001)  
Police Chief: Tim Franks (Employed August 1, 2000); Jovey Marshall (May 4, 2000 - July 24, 2000)

Instances of noncompliance are failures to follow the requirements, or violations of prohibitions, contained in the above referenced laws. The results of our application of the stated procedure disclosed no material instances of noncompliance with the provisions of the referenced laws in the Offices of **Mayor**, **City Court Clerk** and **Police Chief** and the following material instances of noncompliance with the provisions of the referenced laws in the Office of **Recorder/Treasurer**. Materiality is defined as noncompliance findings having a significant impact on the accounting records and/or operations of the City.

The **Recorder/Treasurer** did not maintain adequate fixed asset records as required by Ark. Code Ann. 14-59-107. The equipment records did not list all items, descriptions did not always include model and/or serial numbers, asset values were not assigned and a control total was not established.

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Legislative Joint Auditing Committee and City management and is not intended to be and should not be used by anyone other than these specified parties.

DIVISION OF LEGISLATIVE AUDIT

A handwritten signature in blue ink, appearing to read "Charles L. Robinson".

Charles L. Robinson, CPA, CFE  
Legislative Auditor

Little Rock, Arkansas  
May 9, 2002  
LOM217801

# **City of Sulphur Springs, Arkansas**

## **Compiled Financial Statements and Accountant's Compilation Report**

**December 31, 2001 and 2000**

**Mayor: Greg Barber**  
**(Appointed July 13, 2000)**  
**Harris Steele**  
**(Resigned July 12, 2000)**

**Recorder/Treasurer: Gloria Kruse (2001)**  
**Rhonda Mize (2000)**

LEGISLATIVE JOINT AUDITING COMMITTEE

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# Arkansas



Charles L. Robinson, CPA, CFE  
Legislative Auditor

## LEGISLATIVE JOINT AUDITING COMMITTEE DIVISION OF LEGISLATIVE AUDIT

### ACCOUNTANT'S COMPILATION REPORT

City of Sulphur Springs, Arkansas Officials and Council Members  
Legislative Joint Auditing Committee

We have compiled the accompanying financial statements as of and for the years ended December 31, 2001 and 2000 as listed in the table of contents, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The financial statements have been prepared on a modified cash basis, which is a comprehensive basis of accounting other than generally accepted accounting principles.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

Management has elected to omit substantially all of the disclosures, the General Fixed Assets account group and the financial activities of the Water and Sewer Department ordinarily included in financial statements prepared on the modified cash basis of accounting. If the omissions described above were included in the financial statements, they might influence the user's conclusions about the City's assets, liabilities, fund equity, receipts, disbursements and changes in fund balances. Accordingly, these financial statements are not designed for those who are not informed about such matters.

DIVISION OF LEGISLATIVE AUDIT

A handwritten signature in blue ink, appearing to read "Charles L. Robinson".

Charles L. Robinson, CPA, CFE  
Legislative Auditor

Little Rock, Arkansas  
May 9, 2002  
LOM217801



CITY OF SULPHUR SPRINGS, ARKANSAS  
COMBINED STATEMENT OF ASSETS, LIABILITIES AND FUND EQUITY- MODIFIED CASH BASIS  
DECEMBER 31, 2001

Exhibit A

	Governmental Fund Types		Fiduciary Fund Types	Account Group	Totals (Memorandum Only)
	General	Special Revenue	Trust and Agency	General Long- Term Debt	December 31, 2001
ASSETS					
Cash and cash equivalents	\$ 17,791	\$ 36,766	\$ 13,918		\$ 68,475
Investments (Certificates of deposit)	15,663	30,049	9,258		54,970
Due from other agencies		1,750			1,750
Interfund receivables	82	15,380	1,008		16,470
Amount to be provided for retirement of general long-term debt				\$ 90,931	90,931
<b>TOTAL ASSETS</b>	<b>\$ 33,536</b>	<b>\$ 83,945</b>	<b>\$ 24,184</b>	<b>\$ 90,931</b>	<b>\$ 232,596</b>
LIABILITIES AND FUND EQUITY					
Liabilities:					
Payroll taxes withheld	\$ 2,174	\$ 127			\$ 2,301
Bonds, fines and costs pending			\$ 11,044		11,044
Interfund payables	15,380	1,090			16,470
Lease-purchase agreements payable				\$ 90,931	90,931
<b>Total Liabilities</b>	<b>17,554</b>	<b>1,217</b>	<b>11,044</b>	<b>90,931</b>	<b>120,746</b>
Fund Equity:					
Fund balances:					
Reserved:					
Employees' pension benefits			13,140		13,140
Unreserved:					
Undesignated	15,982	82,728			98,710
<b>Total Fund Equity</b>	<b>15,982</b>	<b>82,728</b>	<b>13,140</b>		<b>111,850</b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ 33,536</b>	<b>\$ 83,945</b>	<b>\$ 24,184</b>	<b>\$ 90,931</b>	<b>\$ 232,596</b>

See Accountant's Compilation Report.

CITY OF SULPHUR SPRINGS, ARKANSAS  
 COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES -  
 GOVERNMENTAL FUND TYPES - MODIFIED CASH BASIS  
 FOR THE YEAR ENDED DECEMBER 31, 2001

Exhibit B

	General	Special Revenue	Totals (Memorandum Only) Year Ended December 31, 2001
RECEIPTS			
Intergovernmental revenues - state	\$ 11,635	\$ 53,241	\$ 64,876
Intergovernmental revenues - federal		1,356	1,356
Property taxes	12,045	1,448	13,493
Franchise taxes	12,323		12,323
Sales taxes	101,740		101,740
Fines, forfeitures and costs	75,078	154	75,232
Interest	671	1,947	2,618
Local permits and fees	699		699
Other	8,568	10,682	19,250
TOTAL RECEIPTS	222,759	68,828	291,587
DISBURSEMENTS			
Current:			
General government	80,174		80,174
Highways and streets		32,655	32,655
Public safety	144,506	23,822	168,328
Recreation and culture	13,811		13,811
Total Current	238,491	56,477	294,968
Capital outlay	24,421	9,733	34,154
Debt service:			
Principal reduction on capital lease	763		763
Interest imputed on capital lease	113		113
TOTAL DISBURSEMENTS	263,788	66,210	329,998

CITY OF SULPHUR SPRINGS, ARKANSAS  
 COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES -  
 GOVERNMENTAL FUND TYPES - MODIFIED CASH BASIS  
 FOR THE YEAR ENDED DECEMBER 31, 2001

Exhibit B

	General	Special Revenue	Totals (Memorandum Only) <u>Year Ended December 31, 2001</u>
EXCESS OF RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (41,029)	\$ 2,618	\$ (38,411)
FUND BALANCES - JANUARY 1	<u>57,011</u>	<u>80,110</u>	<u>137,121</u>
FUND BALANCES - DECEMBER 31	<u><u>\$ 15,982</u></u>	<u><u>\$ 82,728</u></u>	<u><u>\$ 98,710</u></u>

See Accountant's Compilation Report.

CITY OF SULPHUR SPRINGS, ARKANSAS  
STATEMENT OF PLAN NET ASSETS - FIREMEN'S PENSION TRUST FUND - MODIFIED CASH BASIS  
AS OF DECEMBER 31, 2001

Exhibit C

	<u>Total</u> <u>December 31,</u> <u>2001</u>
ASSETS	
Cash and cash equivalents	\$ 2,874
Interfund receivables	1,008
Investments:	
Certificates of deposit	<u>9,258</u>
TOTAL ASSETS	<u>\$ 13,140</u>
FUND BALANCE RESERVED FOR EMPLOYEES' PENSION BENEFITS	<u>\$ 13,140</u>

See Accountant's Compilation Report.

CITY OF SULPHUR SPRINGS, ARKANSAS  
STATEMENT OF CHANGES IN PLAN NET ASSETS - FIREMEN'S PENSION TRUST FUND - MODIFIED CASH BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2001

Exhibit D

	Total Year Ended December 31, 2001
ADDITIONS	
Contributions:	
Employer	\$ 2,009
Other sources - state funds	1,008
Plan member	12
Total Contributions	<u>3,029</u>
Investment income:	
Interest	<u>503</u>
TOTAL ADDITIONS	3,532
DEDUCTIONS	
Benefits	<u>1,920</u>
NET INCREASE	1,612
FUND BALANCE RESERVED FOR EMPLOYEES' PENSION BENEFITS	
BEGINNING OF YEAR	<u>11,528</u>
END OF YEAR	<u><u>\$ 13,140</u></u>

See Accountant's Compilation Report.

CITY OF SULPHUR SPRINGS, ARKANSAS  
COMBINED STATEMENT OF ASSETS, LIABILITIES AND FUND EQUITY - MODIFIED CASH BASIS  
DECEMBER 31, 2000

Exhibit A-1

	Governmental Fund Types		Fiduciary Fund Types	Account Group	Totals (Memorandum Only)
	General	Special Revenue	Trust and Agency	General Long- Term Debt	December 31, 2000
ASSETS					
Cash and cash equivalents	\$ 73,884	\$ 40,796	\$ 21,709		\$ 136,389
Investments (Certificates of deposit)		28,426	8,754		37,180
Interfund receivables	82	10,970			11,052
Amount to be provided for retirement of general long-term debt				\$ 1,344	1,344
<b>TOTAL ASSETS</b>	<b>\$ 73,966</b>	<b>\$ 80,192</b>	<b>\$ 30,463</b>	<b>\$ 1,344</b>	<b>\$ 185,965</b>
LIABILITIES AND FUND EQUITY					
Liabilities:					
Payroll taxes withheld	\$ 5,985				\$ 5,985
Bonds, fines and costs pending			\$ 18,935		18,935
Interfund payables	10,970	\$ 82			11,052
Lease-purchase agreements payable				\$ 1,344	1,344
<b>Total Liabilities</b>	<b>16,955</b>	<b>82</b>	<b>18,935</b>	<b>1,344</b>	<b>37,316</b>
Fund Equity:					
Fund balances:					
Reserved:					
Employees' pension benefits			11,528		11,528
Unreserved:					
Undesignated	57,011	80,110			137,121
<b>Total Fund Equity</b>	<b>57,011</b>	<b>80,110</b>	<b>11,528</b>		<b>148,649</b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ 73,966</b>	<b>\$ 80,192</b>	<b>\$ 30,463</b>	<b>\$ 1,344</b>	<b>\$ 185,965</b>

See Accountant's Compilation Report.

CITY OF SULPHUR SPRINGS, ARKANSAS  
 COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES -  
 GOVERNMENTAL FUND TYPES - MODIFIED CASH BASIS  
 FOR THE YEAR ENDED DECEMBER 31, 2000

Exhibit B-1

			Totals (Memorandum Only)
			Year Ended December 31, 2000
	General	Special Revenue	
RECEIPTS			
Intergovernmental revenues - state	\$ 13,752	\$ 42,306	\$ 56,058
Intergovernmental revenues - federal	15,144		15,144
Property taxes	13,162	1,586	14,748
Franchise taxes	10,946		10,946
Sales taxes	107,917		107,917
Fines, forfeitures and costs	32,525		32,525
Interest	704	1,910	2,614
Local permits and fees	663		663
Other	3,003	8,189	11,192
TOTAL RECEIPTS	197,816	53,991	251,807
DISBURSEMENTS			
Current:			
General government	107,757		107,757
Law enforcement	63,311	1,061	64,372
Highways and streets		16,331	16,331
Public safety		14,406	14,406
Recreation and culture	6,001		6,001
Total Current	177,069	31,798	208,867
Capital outlay	8,816	16,890	25,706
Debt service:			
Principal reduction on capital lease	476		476
Interest imputed on capital lease	131		131
TOTAL DISBURSEMENTS	186,492	48,688	235,180

CITY OF SULPHUR SPRINGS, ARKANSAS  
 COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES -  
 GOVERNMENTAL FUND TYPES - MODIFIED CASH BASIS  
 FOR THE YEAR ENDED DECEMBER 31, 2000

Exhibit B-1

	General	Special Revenue	Totals (Memorandum Only) <u>Year Ended December 31, 2000</u>
EXCESS OF RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 11,324	\$ 5,303	\$ 16,627
FUND BALANCES - JANUARY 1	<u>45,687</u>	<u>74,807</u>	<u>120,494</u>
FUND BALANCES - DECEMBER 31	<u><u>\$ 57,011</u></u>	<u><u>\$ 80,110</u></u>	<u><u>\$ 137,121</u></u>

See Accountant's Compilation Report.



CITY OF SULPHUR SPRINGS, ARKANSAS  
STATEMENT OF PLAN NET ASSETS - FIREMEN'S PENSION TRUST FUND - MODIFIED CASH BASIS  
AS OF DECEMBER 31, 2000

Exhibit C-1

	<u>Total</u> <u>December 31,</u> <u>2000</u>
ASSETS	
Cash and cash equivalents	\$ 2,774
Investments:	
Certificates of deposit	<u>8,754</u>
TOTAL ASSETS	<u>\$ 11,528</u>
FUND BALANCE RESERVED FOR EMPLOYEES' PENSION BENEFITS	<u>\$ 11,528</u>

See Accountant's Compilation Report.

CITY OF SULPHUR SPRINGS, ARKANSAS  
STATEMENT OF CHANGES IN PLAN NET ASSETS - FIREMEN'S PENSION TRUST FUND - MODIFIED CASH BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2000

Exhibit D-1

	<u>Total Year Ended December 31, 2000</u>
ADDITIONS	
Investment income:	
Interest	\$ 477
DEDUCTIONS	
Benefits	<u>1,920</u>
NET INCREASE	(1,443)
FUND BALANCE RESERVED FOR EMPLOYEES' PENSION BENEFITS	
BEGINNING OF YEAR	<u>12,971</u>
END OF YEAR	<u><u>\$ 11,528</u></u>

See Accountant's Compilation Report.